

TREYNOR COMMUNITY SCHOOL DISTRICT
TREYNOR, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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TREYNOR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Joshua Guttau	President	2007
Douglas Klahn	Vice President	2006
Jerry Hempel	Board Member	2007
James Murray	Board Member	2006
Neal Andersen	Board Member	2005
<u>Board of Education</u>		
(After September 2005 Election)		
Neal Andersen	President	2008
Douglas Klahn	Vice President	2006
Jerry Hempel	Board Member	2007
James Murray	Board Member	2006
Joshua Guttau	Board Member	2007
<u>School Officials</u>		
Kevin Elwood	Superintendent	2006
Robert Gronstal	District Secretary/Treasurer	2006
Joe Thornton	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Treyner Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Treyner Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Treyner Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2006 on our consideration of Treyner Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 40 through 42 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Treynor Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein). For the two years ended June 30, 2005, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2003, we expressed a qualified opinion on those financial statements because of the effect of the unaudited carrying value of the general fixed assets. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 19, 2006

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Basic Financial Statements

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,745,329	\$ 50,600	\$ 1,795,929
Receivables:			
Property tax:			
Current year	12,565	-	12,565
Succeeding year	1,538,058	-	1,538,058
Accrued interest	2,662	-	2,662
Due from other governments	109,857	-	109,857
Inventories	-	5,427	5,427
Restricted ISCAP assets (note 4):			
Investments	367,488	-	367,488
Accrued interest receivable	114	-	114
Capital assets, net of accumulated depreciation (note 5)	7,529,373	41,840	7,571,213
Total assets	11,305,446	97,867	11,403,313
Liabilities			
Accounts payable	2,030	-	2,030
Salaries and benefits payable	411,161	15,387	426,548
Accrued interest payable	23,801	-	23,801
ISCAP warrants payable (note 4)	368,000	-	368,000
ISCAP accrued interest payable (note 4)	91	-	91
ISCAP unamortized premium (note 4)	2,800	-	2,800
Deferred revenue:			
Succeeding year property tax	1,538,058	-	1,538,058
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	255,000	-	255,000
Portion due after one year:			
Bonds payable	4,230,000	-	4,230,000
Total liabilities	6,830,941	15,387	6,846,328

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 3,044,373	\$ 41,840	\$ 3,086,213
Restricted for:			
Management levy	3,741	-	3,741
Physical plant and equipment levy	154,671	-	154,671
Other special revenue purposes	35,334	-	35,334
Debt service	35,584	-	35,584
Capital projects	661,743	-	661,743
Local option sales and services tax revenue bonds	137,500	-	137,500
Unrestricted	401,559	40,640	442,199
Total net assets	\$ 4,474,505	\$ 82,480	\$ 4,556,985

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,263,371	\$ 680,817	\$ 188,518	\$ -
Special instruction	284,127	61,659	70,149	-
Other instruction	428,302	164,992	9,910	-
	<u>2,975,800</u>	<u>907,468</u>	<u>268,577</u>	<u>-</u>
Support services:				
Student services	89,597	-	-	-
Instructional staff services	122,009	-	-	-
Administration services	425,440	-	-	-
Operation and maintenance of plant services	488,297	6,600	-	-
Transportation services	250,843	3,356	13,038	-
	<u>1,376,186</u>	<u>9,956</u>	<u>13,038</u>	<u>-</u>
Non-instructional programs	<u>15,388</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	106,063	-	-	-
Long-term debt interest and fiscal charges	201,688	-	-	-
AEA flowthrough	157,752	-	157,752	-
Depreciation (unallocated) *	257,418	-	-	-
	<u>722,921</u>	<u>-</u>	<u>157,752</u>	<u>-</u>
Total governmental activities	5,090,295	917,424	439,367	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>262,310</u>	<u>196,664</u>	<u>73,122</u>	<u>-</u>
Total	\$ 5,352,605	\$ 1,114,088	\$ 512,489	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,394,036)	\$ -	\$ (1,394,036)
(152,319)	-	(152,319)
(253,400)	-	(253,400)
(1,799,755)	-	(1,799,755)
(89,597)	-	(89,597)
(122,009)	-	(122,009)
(425,440)	-	(425,440)
(481,697)	-	(481,697)
(234,449)	-	(234,449)
(1,353,192)	-	(1,353,192)
(15,388)	-	(15,388)
(106,063)	-	(106,063)
(201,688)	-	(201,688)
-	-	-
(257,418)	-	(257,418)
(565,169)	-	(565,169)
(3,733,504)	-	(3,733,504)
-	7,476	7,476
(3,733,504)	7,476	(3,726,028)

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 1,102,272	\$ -	\$ 1,102,272
399,839	-	399,839
41,346	-	41,346
467,563	-	467,563
1,849,473	-	1,849,473
26,431	337	26,768
63,055	-	63,055
<u>3,949,979</u>	<u>337</u>	<u>3,950,316</u>
216,475	7,813	224,288
<u>4,258,030</u>	<u>74,667</u>	<u>4,332,697</u>
<u>\$ 4,474,505</u>	<u>\$ 82,480</u>	<u>\$ 4,556,985</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 771,923	\$ 55,734	\$ 722,662	\$ 195,010	\$ 1,745,329
Receivables:					
Property tax:					
Current year	8,148	3,651	-	766	12,565
Succeeding year	1,097,173	341,654	-	99,231	1,538,058
Accrued interest	-	-	2,662	-	2,662
Due from other governments	35,938	-	73,919	-	109,857
Restricted ISCAP assets (note 4):					
Investments	367,488	-	-	-	367,488
Accrued interest receivable	114	-	-	-	114
	<hr/>				
Total assets	\$ <u>2,280,784</u>	\$ <u>401,039</u>	\$ <u>799,243</u>	\$ <u>295,007</u>	\$ <u>3,776,073</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,030	\$ 2,030
Salaries and benefits payable	411,161	-	-	-	411,161
ISCAP warrants payable (note 4)	368,000	-	-	-	368,000
ISCAP accrued interest payable (note 4)	91	-	-	-	91
ISCAP unamortized premium (note 4)	2,800	-	-	-	2,800
Deferred revenue:					
Succeeding year property tax	1,097,173	341,654	-	99,231	1,538,058
Total liabilities	<u>1,879,225</u>	<u>341,654</u>	<u>-</u>	<u>101,261</u>	<u>2,322,140</u>
Fund balance:					
Reserved for:					
Local option sales and services tax revenue bonds	-	-	137,500	-	137,500
Debt service	-	59,385	-	-	59,385
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	193,746	193,746
Undesignated	401,559	-	661,743	-	1,063,302
Total fund balances	<u>401,559</u>	<u>59,385</u>	<u>799,243</u>	<u>193,746</u>	<u>1,453,933</u>
Total liabilities and fund balances	<u>\$ 2,280,784</u>	<u>\$ 401,039</u>	<u>\$ 799,243</u>	<u>\$ 295,007</u>	<u>\$ 3,776,073</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

Total fund balances of governmental funds	\$ 1,453,933
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,529,373
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(23,801)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,485,000)</u>
Net assets of governmental activities	<u>\$ 4,474,505</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,072,711	\$ 399,613	\$ 468,563	\$ 92,359	\$ 2,033,246
Tuition	726,360	-	-	-	726,360
Other	56,902	1,607	28,799	173,243	260,551
State sources	2,204,584	226	-	55	2,204,865
Federal sources	81,748	-	-	-	81,748
Total revenues	4,142,305	401,446	497,362	265,657	5,306,770
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,254,870	-	-	-	2,254,870
Special instruction	284,127	-	-	-	284,127
Other instruction	239,756	-	-	171,026	410,782
	2,778,753	-	-	171,026	2,949,779
Support services:					
Student services	89,597	-	-	-	89,597
Instructional staff services	122,009	-	-	-	122,009
Administration services	424,463	-	-	-	424,463
Operation and maintenance of plant services	428,281	-	-	56,769	485,050
Transportation services	211,512	-	-	7,246	218,758
	1,275,862	-	-	64,015	1,339,877
Non-instructional programs	15,388	-	-	-	15,388
Other expenditures:					
Facilities acquisition	-	-	121,824	67,153	188,977
Long term debt:					
Principal	-	520,000	-	-	520,000
Interest and fiscal charges	-	231,407	-	-	231,407
AEA flowthrough	157,752	-	-	-	157,752
	157,752	751,407	121,824	67,153	1,098,136
Total expenditures	4,227,755	751,407	121,824	302,194	5,403,180
Excess (deficiency) of revenues over (under) expenditures	(85,450)	(349,961)	375,538	(36,537)	(96,410)

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Interfund transfers in	\$ -	\$ 351,465	\$ -	\$ -	351,465
Interfund transfers out	-	-	(351,465)	-	(351,465)
Total other financing sources (uses)	-	351,465	(351,465)	-	-
Net change in fund balances	(85,450)	1,504	24,073	(36,537)	(96,410)
Fund balances beginning of year	487,009	57,881	775,170	230,283	1,550,343
Fund balances end of year	\$ <u>401,559</u>	\$ <u>59,385</u>	\$ <u>799,243</u>	\$ <u>193,746</u>	\$ <u>1,453,933</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (96,410)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 82,912	
Depreciation expense	<u>(319,746)</u>	(236,834)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 520,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

29,719

Change in net assets of governmental activities \$ 216,475

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 50,600
Inventories	5,427
Capital assets, net of accumulated depreciation	<u>41,840</u>
Total assets	<u>97,867</u>
Liabilities	
Salaries and benefits payable	<u>15,387</u>
Net Assets	
Invested in capital assets	41,840
Unrestricted	<u>40,640</u>
Total net assets	<u>\$ 82,480</u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>196,664</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	88,360
Benefits	16,463
Purchased services	2,105
Supplies	148,803
Depreciation	6,221
Other	358
	<u>262,310</u>
Operating loss	<u>(65,646)</u>
Non-operating revenues:	
Interest on investments	337
State sources	4,330
Federal sources	68,792
Total non-operating revenues	<u>73,459</u>
Change in net assets	7,813
Net assets beginning of year	<u>74,667</u>
Net assets end of year	\$ <u><u>82,480</u></u>

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 193,646
Cash received from miscellaneous operating activities	3,018
Cash payments to employees for services	(103,333)
Cash payments to suppliers for goods or services	<u>(128,955)</u>
Net cash used by operating activities	<u>(35,624)</u>
Cash flows from non-capital financing activities:	
State grants received	4,330
Federal grants received	<u>47,471</u>
Net cash provided by non-capital financing activities	<u>51,801</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(14,192)</u>
Cash flows from investing activities:	
Interest on investments	<u>337</u>
Net increase in cash and cash equivalents	2,322
Cash and cash equivalents beginning of year	<u>48,278</u>
Cash and cash equivalents end of year	<u>\$ 50,600</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (65,646)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	6,221
Commodities used	21,321
Decrease in inventories	990
Increase in salaries and benefits payable	<u>1,490</u>
Net cash used by operating activities	\$ <u><u>(35,624)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$21,321 of federal commodities.

See notes to financial statements.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

Treynor Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Treynor, Iowa, and agricultural territory in Pottawattamie and Mills Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Treynor Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Treynor Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie and Mills County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-40 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2006.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

The District's investments at June 30, 2006 are as follows:

	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust - Diversified Portfolio	\$ 66,933
Money Market Mutual Fund	<u>141,321</u>
	<u>\$ 208,254</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The money market mutual fund is stated at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust and the money market mutual fund were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>351,465</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2006-07A	6/28/2006	6/28/2007	\$ <u>367,488</u>	\$ <u>114</u>	\$ <u>368,000</u>	\$ <u>91</u>	\$ <u>2,800</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.676%

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 180,051	\$ -	\$ -	\$ 180,051
Capital assets being depreciated:				
Buildings	9,400,607	8,974	-	9,409,581
Improvements other than buildings	500,606	-	-	500,606
Furniture and equipment	819,173	73,938	-	893,111
Total capital assets being depreciated	10,720,386	82,912	-	10,803,298
Less accumulated depreciation for:				
Buildings	2,302,546	232,189	-	2,534,735
Improvements other than buildings	306,089	10,806	-	316,895
Furniture and equipment	525,595	76,751	-	602,346
Total accumulated depreciation	3,134,230	319,746	-	3,453,976
Total capital assets being depreciated, net	7,586,156	(236,834)	-	7,349,322
Governmental activities capital assets, net	\$ 7,766,207	\$ (236,834)	\$ -	\$ 7,529,373

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 57,013	\$ 14,192	\$ -	\$ 71,205
Less accumulated depreciation	<u>23,144</u>	<u>6,221</u>	<u>-</u>	<u>29,365</u>
Business-type activities capital assets, net	<u>\$ 33,869</u>	<u>\$ 7,971</u>	<u>\$ -</u>	<u>\$ 41,840</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 11,619

 Other

14,398

 Support services:

 Administration

980

 Operation and maintenance of plant services

3,245

 Transportation

32,086

62,328

Unallocated depreciation

257,418

Total governmental activities depreciation expense

\$ 319,746

Business-type activities:

 Food service operations

\$ 6,221

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Total
Balance beginning of year	\$ 3,760,000	\$ 1,245,000	\$ 5,005,000
Additions	-	-	-
Reductions	245,000	275,000	520,000
Balance end of year	<u>\$ 3,515,000</u>	<u>\$ 970,000</u>	<u>\$ 4,485,000</u>
Due within one year	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	May 1, 1998 Issue		
		Principal	Interest	Total
2007	4.40 %	\$ 205,000	\$ 74,720	\$ 279,720
2008	4.45	215,000	65,700	280,700
2009	4.50	225,000	56,132	281,132
2010	4.50	235,000	46,008	281,008
2011	4.55	245,000	35,432	280,432
2012	4.60	255,000	24,285	279,285
2013	4.65	270,000	12,555	282,555
Subtotal		1,650,000	314,832	1,964,832

Year Ending June 30,	Interest Rate	June 1, 2003 Issue		
		Principal	Interest	Total
2007	2.25 %	\$ 50,000	\$ 68,087	\$ 118,087
2008	2.55	50,000	66,963	116,963
2009	2.70	55,000	65,688	120,688
2010	3.05	55,000	64,202	119,202
2011	3.15	60,000	62,525	122,525
2012	3.25	65,000	60,635	125,635
2013	3.35	60,000	58,523	118,523
2014	4.00	345,000	56,512	401,512
2015	4.00	360,000	42,713	402,713
2016	3.65	375,000	28,312	403,312
2017	3.75	390,000	14,625	404,625
Subtotal		1,865,000	588,785	2,453,785
Total		\$ 3,515,000	\$ 903,617	\$ 4,418,617

During the year ended June 30, 2006, the District retired \$245,000 of bonds.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	5.00 %	\$ -	\$ 20,618	\$ 20,618
2008	5.00	145,000	37,610	182,610
2009	3.75	155,000	31,079	186,079
2010	4.00	160,000	24,972	184,972
2011	4.15	165,000	18,349	183,349
2012	4.25	170,000	11,313	181,313
2013	4.40	175,000	3,850	178,850
Total		<u>\$ 970,000</u>	<u>\$ 147,791</u>	<u>\$ 1,117,791</u>

The local option sales and services tax revenue bonds were issued for school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 422B.12 of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$137,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$148,465, \$137,308, and \$125,640 respectively, equal to the required contributions for each year.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 8. Risk Management

Treynor Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$157,752 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingency

The District has two ongoing lawsuits. The proceedings are still in the discovery stage and their outcomes cannot be determined at this time.

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Required Supplementary Information

TREYNOR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 2,980,988	\$ 197,001	\$ 3,177,989	\$ 3,113,756	\$ 3,113,756	\$ 64,233
State sources	2,191,826	4,330	2,196,156	2,245,577	2,245,577	(49,421)
Federal sources	60,378	68,792	129,170	158,000	158,000	(28,830)
Total receipts	5,233,192	270,123	5,503,315	5,517,333	5,517,333	(14,018)
DISBURSEMENTS:						
Instruction	2,927,443	-	2,927,443	3,852,727	3,852,727	925,284
Support services	1,342,645	-	1,342,645	1,173,837	1,375,000	32,355
Non-instructional programs	-	267,801	267,801	325,400	325,400	57,599
Other expenditures	1,096,106	-	1,096,106	2,779,109	2,779,109	1,683,003
Total disbursements	5,366,194	267,801	5,633,995	8,131,073	8,332,236	2,698,241
Excess (deficiency) of receipts over (under) disbursements	(133,002)	2,322	(130,680)	(2,613,740)	(2,814,903)	2,684,223
Balance beginning of year	1,878,331	48,278	1,926,609	2,699,141	2,699,141	(772,532)
Balance end of year	\$ <u>1,745,329</u>	\$ <u>50,600</u>	\$ <u>1,795,929</u>	\$ <u>85,401</u>	\$ <u>(115,762)</u>	\$ <u>1,911,691</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,233,192	\$ 73,578	\$ 5,306,770
Expenditures	5,366,194	36,986	5,403,180
Net	(133,002)	36,592	(96,410)
Beginning fund balances	1,878,331	(327,988)	1,550,343
Ending fund balances	<u>\$ 1,745,329</u>	<u>\$ (291,396)</u>	<u>\$ 1,453,933</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 270,123	\$ -	\$ 270,123
Expenses	267,801	(5,491)	262,310
Net	2,322	5,491	7,813
Beginning net assets	48,278	26,389	74,667
Ending net assets	<u>\$ 50,600</u>	<u>\$ 31,880</u>	<u>\$ 82,480</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$201,163.

Other Supplementary Information

TREYNOR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 3,353	\$ 35,334	\$ 156,323	\$ 195,010
Receivables:				
Property tax:				
Current year	388	-	378	766
Succeeding year	60,033	-	39,198	99,231
Total assets	<u>\$ 63,774</u>	<u>\$ 35,334</u>	<u>\$ 195,899</u>	<u>\$ 295,007</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,030	\$ 2,030
Deferred revenue:				
Succeeding year property tax	60,033	-	39,198	99,231
Total liabilities	<u>60,033</u>	<u>-</u>	<u>41,228</u>	<u>101,261</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	3,741	35,334	154,671	193,746
Total liabilities and fund equity	<u>\$ 63,774</u>	<u>\$ 35,334</u>	<u>\$ 195,899</u>	<u>\$ 295,007</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 51,036	\$ -	\$ 41,323	\$ 92,359
Other	3,591	165,852	3,800	173,243
State sources	32	-	23	55
Total revenues	<u>54,659</u>	<u>165,852</u>	<u>45,146</u>	<u>265,657</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	171,026	-	171,026
Support services:				
Operation and maintenance of plant services	56,769	-	-	56,769
Transportation services	7,246	-	-	7,246
Other expenditures:				
Facilities acquisition	-	-	67,153	67,153
Total expenditures	<u>64,015</u>	<u>171,026</u>	<u>67,153</u>	<u>302,194</u>
Deficiency of revenues under expenditures	(9,356)	(5,174)	(22,007)	(36,537)
Fund balances beginning of year	<u>13,097</u>	<u>40,508</u>	<u>176,678</u>	<u>230,283</u>
Fund balances end of year	<u>\$ 3,741</u>	<u>\$ 35,334</u>	<u>\$ 154,671</u>	<u>\$ 193,746</u>

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	\$ 1	\$ 2,488	\$ 2,479	\$ 10
Instrumental	15	9,103	9,108	10
Vocal	8	4,267	4,265	10
Student Council	2,805	11,388	11,418	2,775
FHA	20	-	-	20
Drill Team	2,314	9,414	6,493	5,235
National Honor Society	14	665	669	10
Cheerleaders	1,977	12,055	9,782	4,250
Yearbook	316	9,768	9,652	432
Class of:				
2004	239	-	-	239
2005	10	-	-	10
2006	1,231	1,364	2,469	126
2007	-	13,716	13,716	-
Elementary (Student Leader)	15,566	12,352	12,552	15,366
Assemblies	917	-	522	395
Basketball	3,490	29,294	31,484	1,300
Football	4,110	14,363	16,572	1,901
Baseball/Softball	3,370	10,447	12,417	1,400
Track	17	11,281	11,288	10
Golf	260	724	734	250
Wrestling	780	6,177	6,901	56
Volleyball	2,876	11,832	13,608	1,100
Interest	172	860	1,000	32
Change Fund	-	10,655	10,655	-
Junior High Leadership	-	437	40	397
Intrafund Transfers	-	(16,798)	(16,798)	-
Total	\$ 40,508	\$ 165,852	\$ 171,026	\$ 35,334

See accompanying independent auditor's report.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,033,246	\$ 1,928,566	\$ 1,937,575	\$ 1,577,085
Tuition	726,360	598,465	512,865	465,591
Other	260,551	271,575	298,695	240,919
State sources	2,204,865	2,110,861	1,926,400	1,895,760
Federal sources	81,748	115,777	67,217	100,753
Total revenues	<u>\$ 5,306,770</u>	<u>\$ 5,025,244</u>	<u>\$ 4,742,752</u>	<u>\$ 4,280,108</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,254,870	\$ 2,158,717	\$ 1,970,457	\$ 1,852,190
Special instruction	284,127	241,717	269,001	321,640
Other instruction	410,782	362,745	374,006	358,572
Support services:				
Student services	89,597	85,197	82,558	99,899
Instructional staff services	122,009	113,293	59,035	58,217
Administration services	424,463	397,420	371,509	394,151
Operation and maintenance of plant services	485,050	391,884	365,371	347,024
Transportation services	218,758	200,794	191,367	194,511
Central and other support services	-	59,216	3,341	-
Non-instructional programs	15,388	-	3,300	-
Other expenditures:				
Facilities acquisition	188,977	1,250,078	2,310,809	201,249
Long-term debt:				
Principal	520,000	360,000	220,000	170,000
Interest and fiscal charges	231,407	236,071	170,619	114,780
AEA flowthrough	157,752	151,671	144,976	149,486
Total expenditures	<u>\$ 5,403,180</u>	<u>\$ 6,008,803</u>	<u>\$ 6,536,349</u>	<u>\$ 4,261,719</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Treyner Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Treyner Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 19, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treyner Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treyner Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Treynor Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Treynor Community School District and other parties to whom Treynor Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Treynor Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 19, 2006

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, bank deposits, posting of the cash receipts to the cash receipts journal, and the recording, preparing, and signing of checks can all be performed by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult to achieve. We recommend that the District review periodically its operating procedures and personnel responsibilities and make changes when possible.

Response – We will investigate available alternatives and implement whenever possible.

Conclusion – Response accepted.

I-B-06 Athletic Event Gate Receipts – Prenumbered tickets with a subsequent reconciliation to the total gate receipts are not used for all athletic events.

Recommendation – Prenumbered tickets should be used for athletic events and the tickets should be reconciled to the total gate receipts in order to have documented support that all receipts are deposited.

Response – While we recognize that it is preferable to use prenumbered tickets, the physical layout of the athletic field does not allow an efficient and timely attendance and parking of cars by fans attending outdoor athletic events. However, we have initiated procedures after the games to have two principals and the superintendent count the receipts and put them in the bank night depository.

Conclusion – Response accepted.

I-C-06 Unauthorized Signatures – The bank confirmation did not indicate as authorized check signers personnel who were signing checks for the General Fund until October 2005 and for the Student Activity Fund checking account.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We will obtain and prepare proper authorization cards at all District financial institutions.

Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-D-06 Disbursements – Out of forty disbursements selected in our disbursement test, two were not supported by an invoice or receipt at the time payment was made.
- Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.
- Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.
- Conclusion – Response accepted.
- I-E-06 Payroll Records – Out of six employees tested for payroll, one did not have a completed W-4 on file and one timecard for a bus driver was not approved by a supervisor.
- Recommendation – All employees should have a completed W-4 on file. Timecards should be approved by a supervisor.
- Response – We have obtained a W-4 from the employee which is now on file. A supervisor will sign timecards authorizing payment for hours worked.
- Conclusion – Response accepted.
- I-F-06 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.
- Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor, i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.
- Response – We have developed a review form for fundraising activities which has been implemented for the upcoming fiscal year.
- Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-G-06 Revenue Classification Errors – We noted several receipts that were recorded under the wrong revenue classification.

Recommendation – The District should exercise more care when classifying revenues to more accurately reflect District financial activities.

Response – We will be more diligent in the future when classifying revenues.

Conclusion – Response accepted.

I-H-06 Controls over Blank Checks – We noted some batches of blank Student Activity and School Nutrition Fund checks which were pre-signed. These checks are used to pay officials and other bills which need to be paid immediately. A list of these checks written are then given to the Board Secretary each month so they can be recorded in the general ledger. Some checks written in June were not recorded until July.

Recommendation – Pre-signed checks negate the controls over the disbursement process and this process should be discontinued. Disbursements should be recorded when made in order to avoid timing differences in the general ledger.

Response – We will look into changing our process for issuing these School Nutrition and Student Activity Fund checks.

Conclusion – Response acknowledged, however, we feel our recommendation should be followed.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.

II-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Neal Andersen, Board Member Owner of Hawkeye Construction	Construction work	\$1,306

The transaction with Board Member Andersen does not appear to represent a conflict of interest since the transaction was less than \$2,500 as allowed by Chapter 279.7A of the Code of Iowa.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted. However, the interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State rate setting committee.

Recommendation – The District should be aware of current allowable rates to ensure that at least the minimum rate is received for all investments. The certificate of deposit, when renewed, should be renewed at a rate of interest that conforms with current rates for public funds on the renewal date.

Response – We have contacted the bank and they will credit our account for the difference in the rate of the CD and the state minimum rate.

Conclusion – Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (continued):

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Meal Revenues – The District codes all Enterprise, School Nutrition Fund student sales through one revenue account. The Department of Education requires that student lunch, student breakfast, and ala carte sales revenues be coded and tracked separately.

Recommendation – The District should begin coding and tracking students lunches, student breakfasts, and ala carte sales separately.

Response – We will investigate software and coding alternatives to implement better tracking of meal revenues.

Conclusion – Response accepted.

II-K-06 Cell Phone Allowance – We noted that some employees receive a flat dollar cell phone allowance but the payments did not go through the District's payroll process.

Recommendation – All flat dollar allowances should go through the payroll process with the appropriate taxes withheld. Alternatively, the District could switch to an accountable plan where the employees would be reimbursed for actual cell phone expenses reported.

Response – We will change our procedures for cell phone allowances.

Conclusion – Response accepted.

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